

MEMORANDUM

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

FROM: CITY MANAGER J. CRYSTAL DYCHES

SUBJECT: STATE AND LOCAL FISCAL RECOVERY FUNDS (SLFRF)

DATE: JUNE 13, 2022

BACKGROUND: The American Rescue Plan Act (ARPA) passed in March 2021 provides \$1.9 trillion in overall national spending to support relief and economic recovery efforts. A total of \$350 billion in assistance was allocated to local governments to replenish lost revenue, cover increased expenditures, and mitigate economic harm from the COVID-19 pandemic.

The City of El Mirage will receive \$11,940,792 in State and Local Fiscal Recovery Funds (SLFRF) from the ARPA. In June 2021, the City received a payment of \$5,970,395.91 and will receive an equal payment in June 2022. The City may spend the funds through December 31, 2024.

At the Worksession on August 17, 2021, staff sought policy guidance on how to strategically distribute the funds. In September 2021, the City Council adopted Resolution R21-09-22 stating the intended uses of the Coronavirus State and Local Fiscal Recovery Funds allotment.

On January 6, 2022, the US Department of Treasury released the Final Rule on the use of the SLFRF funds. The provisions in this final rule were effective April 1, 2022. An executive summary of major changes and clarifications to the Final Rule is attached. You can view the Final Rule in its entirety, at <https://home.treasury.gov/system/files/136/SLFRF-Final-Rule.pdf>.

To ensure that all awarded funds are spent within the time frame allotted, Staff has drafted Resolution #R22-06-16, which replaces Resolution #R21-09-22, stating the intended uses of the State and Local Fiscal Recovery Funds allotment.

ELIGIBLE USE: REPLENISHMENT OF LOST REVENUE

The most flexible spending category under the SLFRF grant program is "Replacement of Lost Revenue" for government services, which the final rule says generally includes any service traditionally provided by local governments. To take advantage of this category of spending, the Interim Rule required all grantees, regardless of size, to perform a complex calculation to determine how much revenue a locality could claim as lost. Based on the revenue loss calculation, El Mirage's lost revenue was \$6,160,155.

The Final Rule presents a significantly simpler option by permitting local governments to choose a "standard allowance" for lost revenue of up to \$10 million for the lifetime of their grant. El Mirage will select the standard allowance, which will streamline reporting requirements.

The projects included in this memo exceed the SLFRF allocation. The City has budgeted General Fund money to cover the balance. After the SLFRF funds have been spent, Council will have an opportunity to reevaluate projects to be completed with General Funds. In essence, staff will spend SLFRF funds first to ensure all awarded funds are spent within the time frame allotted. So while we have continued to list intended uses under eligible categories, staff will identify nearly \$2M to

be reported under other eligible categories. Staff may also request Council consideration of SLFRF funding of other eligible expenses.

| Northern Parkway Corridor | | | |
|---|-----------------|-----------------|--------------------|
| The Northern Parkway project extends 12.5 miles between Loop 303 and US 60 in Maricopa County. When completed, Northern Parkway will be a high capacity, limited access roadway with overpasses at major intersections. The project is a partnership between Maricopa County, the Cities of El Mirage, Glendale and Peoria, and the Maricopa Association of Governments (MAG). Alternative funding sources for The Northern Parkway project are limited; this project would require payment from the general fund if not paid for with the ARPA allocation. | | | |
| FY22 Allocation | FY23 Allocation | FY24 Allocation | Total |
| \$0 | \$500,000 | \$5,470,000 | \$5,970,000 |

| City Council Chamber Technology Upgrade | | | |
|---|-----------------|-----------------|-----------------|
| The Council Chambers were built with City Hall in 2016. Live, remote meetings were not planned or considered in the design. A technology update is needed to accommodate Council’s request to video record/live stream City Council Meetings. The upgrade will enhance sound and make the room usable for other types of meetings that do not take place using the dais. This project is not ongoing and therefore, does not require consideration for alternative funding sources. | | | |
| FY22 Allocation | FY23 Allocation | FY24 Allocation | Total |
| \$0 | \$70,000 | \$0 | \$70,000 |

ELIGIBLE USE: RESPONDING TO PUBLIC HEALTH & SAFETY NEEDS

The SLFRF allows Cities to cover increased expenditures to address public health and safety. Recovery Funds can be used to support a public health response; and address public safety in communities where an increase in violence, or increased difficulty in accessing or providing services to respond to or mitigate the effects of violence, as a result of the pandemic.

| Police Neighborhood Enforcement Team (NET) | | | |
|--|-----------------|-----------------|--------------------|
| The NET community policing team will be hired to directly respond to the ongoing gun violence emergency associated with the pandemic, and build a safer, healthier El Mirage community. Funding includes one (1) Police Sergeant and three (3) Police Officers, along with four (4) police vehicles and equipment. The personnel numbers are estimates and staff will submit actual costs for grant purposes even if they exceed our estimate. These staff positions were created with the initial ARPA award allocation. As ARPA funding wanes, Council will need to consider how these positions will be funded. Traditionally, funding is limited for established positions and the City would need to look to the general fund to maintain staffing these positions. | | | |
| FY22 Allocation | FY23 Allocation | FY24 Allocation | Total |
| \$611,000 | \$415,000 | \$415,000 | \$1,441,000 |

Police Officer Attrition

This funding will maintain staffing levels at the El Mirage Police Department due to pandemic related retirements and increased gun violence. Funding includes a Police Lieutenant position and three (3) Police Officer positions. These staff positions were created with the initial ARPA award allocation. As ARPA funding wanes, Council will need to consider how these positions will be funded.

| FY22 Allocation | Allocation | FY24 Allocation | Total |
|-----------------|------------|-----------------|--------------------|
| \$322,000 | \$428,000 | \$428,000 | \$1,178,000 |

Paramedic/Firefighter

These Firefighter/Paramedics will be able to administer vaccines and assist with the public health emergency due to the pandemic. This includes two (2) Firefighter/Paramedics positions to work a 40-hour week. The personnel numbers are estimates and staff will submit actual costs for grant purposes. These staff positions were created with the initial ARPA award allocation. As ARPA funding wanes, Council will need to consider how these positions will be funded.

| FY22 Allocation | FY23 Allocation | FY24 Allocation | Total |
|-----------------|-----------------|-----------------|------------------|
| \$108,000 | \$185,000 | \$185,000 | \$478,000 |

Emergency Operations Center

This funding is for changing the audiovisual components in the Fire Station community room that also functions as the City's Emergency Operations Center (EOC). This communication project will assist in responding to specific pandemic-related public health needs. This project is not ongoing and does not require consideration for alternative funding sources.

| FY22 Allocation | FY23 Allocation | FY24 Allocation | Total |
|-----------------|-----------------|-----------------|-----------------|
| \$60,000 | \$0 | \$0 | \$60,000 |

Fire Engine

The purchase of new apparatus (Engine) to replace the current in-service reserve apparatus that has exhausted its usable life. This request includes costs related to design, construction, travel to the factory for all key stages of construction and equipment installation. The apparatus will consist of a crew cab, and a minimum of 380 hp diesel engine, 500-gallon water tank, foam system, 1250 gallons per minute pump, automatic transmission, 4 cross lay hose bays, and a complete complement of ground ladders.

The City is expecting to receive CDBG funding for a portion of the Engine. Staff continues to work with Maricopa County staff regarding potential CDBG funding from HUD for the new fire engine. The County has not received an update the new fiscal year funding allocation and is still working with other municipalities within the CDAC to determine how much funding will be returned from current projects. These factors will determine the amount of funding El Mirage will be eligible to receive. Because this is a one-time purchase, applying for additional grants would delay receipt of the truck.

Any purchase or negotiation of the fire truck purchase prior to the receipt of a CDBG award would void the award.

| FY22 Allocation | FY23 Allocation | FY24 Allocation | Total |
|-----------------|-----------------|-----------------|------------------|
| \$0 | \$800,000 | \$0 | \$800,000 |

Firefly Gunshot Sensor

These sensors pinpoint the exact location of the shooting events within a defined area in real-time. With law enforcement responding to more crime scenes, more evidence and information will be collected. The purchase will include a 2-year sensor system sustainment cost, including cellular communication, database storage, maintenance, and technical support.

This is a one-time purchase and does not require consideration for alternative funding sources.

| FY22 Allocation | FY23 Allocation | FY24 Allocation | Total |
|-----------------|-----------------|-----------------|-----------|
| \$0 | \$252,000 | \$0 | \$252,000 |

ELIGIBLE USE: RESPONDING TO NEGATIVE ECONOMIC IMPACTS FROM THE PANDEMIC

The CSLFRF allows for a broad range of uses to address the disproportionate public health and economic impacts of the crisis on the hardest-hit communities, populations, and households. This includes the immediate economic stabilization for households and businesses.

Utility, Rent and Mortgage Assistance

The COVID-19 pandemic is intensifying an already existing housing crisis. This would allow funding of emergency residential rental, mortgage and utility assistance, including electric and City utilities for those who do not qualify for the Emergency Rental Assistance Program (ERAP). The Community Action Program (CAP) Office will first use available CAP funding and then turn to CSLFRF funds. The City will use 80 to 100% Area Median Income (AMI) for these funds based on qualifications that were used during the pandemic to meet the needs of the most people. This will serve as homeless prevention and provide support to El Mirage residents as eviction and utility moratoriums come to an end. The funding allocation will also include a half-time staff position with the City of Surprise to help administer the funding that will work at the El Mirage CAP office. This additional staffing was funded with the initial ARPA award allocation. As ARPA funding wanes, Council will need to consider a) if the position will continue and b) how it will be funded. Traditionally, funding is limited for established positions and the City would need to look to the general fund to maintain staffing positions. Council will also need to consider if they want to further fund the program as it has been during the pandemic.

| FY22 Allocation | FY23 Allocation | FY24 Allocation | Total |
|-----------------|-----------------|-----------------|-----------|
| \$450,000 | \$235,000 | \$0 | \$685,000 |

Home Repair Assistance and Weatherization Program

The City will partner with a not-for-profit organization to provide emergency assistance to households, who experienced economic harm as a result of the pandemic, for home repair and weatherization. This funding will support healthy living environments. Some of the funds will be used for administrative costs. This program was created with the initial ARPA award allocation. As ARPA funding wanes, Council will need to consider a) if this program will continue and b) how it will be funded.

| FY22 Allocation | FY23 Allocation | FY24 Allocation | Total |
|-----------------|-----------------|-----------------|-----------|
| \$0 | \$165,000 | \$165,000 | \$330,000 |

Phoenix Rescue Mission

Funding will be used to address the housing or health needs of people experiencing homelessness. The City will seek to contract with Phoenix Rescue Mission for homeless outreach, navigation and wrap around support services for the City's homeless population including veterans and those with PTSD. The program will be beneficial for the homeless and will assist our Police Department and Community Services staff to meet the needs of those in our community experiencing homelessness, which has increased due to the pandemic. This program was created with the initial ARPA award allocation. As ARPA funding wanes, Council will need to consider a) if this program will continue and b) how it will be funded.

| FY22 Allocation | FY23 Allocation | FY24 Allocation | Total |
|-----------------|-----------------|-----------------|-----------------|
| \$30,000 | \$30,000 | \$30,000 | \$90,000 |

Senior Meals

Funding will provide approximately twenty-five (25) meals each day to seniors in El Mirage. These meals will be served at the El Mirage Senior Center. This meets the funding criteria of responding to the negative economic impacts of the public health emergency by assisting with food. This program was created with the initial ARPA award allocation. As ARPA funding wanes, Council will need to consider a) if this program will continue and b) how it will be funded.

| FY22 Allocation | FY23 Allocation | FY24 Allocation | Total |
|-----------------|-----------------|-----------------|------------------|
| \$35,000 | \$35,000 | \$35,000 | \$105,000 |

Transit

The City has seen an increase in the use of paratransit and dial-a-ride as residents return from pandemic lifestyles; and had used additional services provided with these funds during the pandemic to ensure our disabled and elderly residents were able to have access to groceries, medical appointments, and work. As we transition, this has included ensuring access to vaccine appointments. To maintain social distancing, staff recommends funding the purchase a new bus. This program has seen increased participation during the pandemic and was receiving an ARPA award allocation in addition to its grant funding to meet service needs. As ARPA funding wanes, Council will need to consider how the program will be funded post-ARPA.

| | FY22 Allocation | FY23 Allocation | FY24 Allocation | Total |
|-------------|-----------------|-----------------|-----------------|------------------|
| Dial-A-Ride | \$90,000 | \$90,000 | \$80,000 | \$260,000 |
| Bus | \$75,000 | \$75,000 | \$0 | \$150,000 |

Senior Bus

Ridership through the City's dial-a-ride program has continued to increase in post-pandemic life with more Seniors returning to the Senior Center and requesting rides to medical appointments and for shopping trips. To maintain social distancing, staff recommends funding the purchase a new bus. This was a one-time expense.

| FY22 Allocation | FY23 Allocation | FY24 Allocation | Total |
|-----------------|-----------------|-----------------|------------------|
| \$0 | \$150,000 | \$0 | \$150,000 |

Library Expansion for Workforce Development

Funding will be used to add an addition of 1,100 sq. ft. to the El Mirage Library renovation. This addition will provide broadband and computer access to residents, specifically focusing on those who lost jobs due to the pandemic. The employment-focused computer and broadband community room will have stations that provide job site search engines, resume builders, free email sites, and access to popular online interview and meeting sites such as Zoom, Skype, and Microsoft Teams to increase access to these tools for community members. There will also be spaces available for quiet interviews for those who need to do online interviews but lack a home computer or the privacy. To meet the construction timeline, Council will need to authorize City Manager to engage with Architect for engineering immediately. This was a one-time expense.

| FY22 Allocation | FY23 Allocation | FY24 Allocation | Total |
|-----------------|-----------------|-----------------|------------------|
| \$375,000 | \$0 | \$0 | \$375,000 |

SUMMATION: The City has received \$11,940,792 in one-time resources through the American Rescue Plan Act. The SLFRF Final Rule presents a significantly simpler option by permitting local governments to choose a "standard allowance" for lost revenue of \$10 million for the lifetime of their grant. Staff has identified \$12.25M in eligible projects to ensure the City meets the expenditure deadline for these funds. The tables (attached) offer a quick review of project changes between Resolution R21-09-22 and Resolution R22-06-16. Staff will review spending regularly and reallocate funds to eligible expenses as required. City Council will receive quarterly Recovery Plan Performance Reports. Staff is looking forward to having further City Council discussions regarding the strategic deployment of the State and Local Fiscal Recovery Funds as agreements, contracts and programs are brought forward for consideration.

TABLE I: INTENDED USES OF THE SLFRF ALLOTMENT ADOPTED BY CITY COUNCIL IN RESOLUTION R21-09-22:

| 2021 | FY22 Allocation | FY23 Allocation | FY24 Allocation | FY25 Allocation | Total |
|--|----------------------------|----------------------------|----------------------------|----------------------------|---------------------|
| Northern Parkway Corridor | | \$500,000 | \$5,470,000 | | \$5,970,000 |
| Roadway Drainage (1st Avenue) | | \$130,000 | | | \$130,000 |
| Roadway Drainage (Peoria and Dysart) | | \$60,000 | | | \$60,000 |
| Replenishment of Lost Revenue Total | | | | | \$6,160,000 |
| Utility, Rent and Mortgage Assistance | \$450,000 | \$235,000 | | | \$685,000 |
| Library Expansion for Workforce Development | \$475,000 | | | | \$475,000 |
| Home Repair Assistance and Weatherization Program | | \$165,000 | \$165,000 | | \$330,000 |
| Transit Dial-A-Ride | \$90,000 | \$90,000 | \$80,000 | | \$260,000 |
| Bus | \$75,000 | | | | \$75,000 |
| Senior Meals | \$35,000 | \$35,000 | \$35,000 | \$17,500 | \$122,500 |
| Phoenix Rescue Mission | \$30,000 | \$30,000 | \$30,000 | \$15,000 | \$105,000 |
| I-HELP | \$5,000 | \$5,000 | \$5,000 | | \$15,000 |
| Small Business Hazard Mitigation | \$40,000 | | | | \$40,000 |
| Responding to Negative Economic Impacts from the Pandemic Total | | | | | \$2,107,500 |
| Police Neighborhood Enforcement Team (NET) | \$610,846 | \$414,462 | \$414,462 | \$207,230 | \$1,647,000 |
| Police Officer Attrition | \$321,230 | \$428,308 | \$428,308 | \$214,154 | \$1,392,000 |
| Paramedic/Firefighter | \$108,140 | \$186,461 | \$186,461 | \$93,230 | \$574,292 |
| Emergency Operations Center | \$50,000 | | | | \$50,000 |
| Responding to Public Health & Safety Needs Total | | | | | \$3,663,292 |
| GRAND TOTAL | | | | | \$11,930,792 |

TABLE II: INTENDED USES OF THE SLFRF ALLOTMENT ADOPTED BY CITY COUNCIL IN RESOLUTION R22-06-16:

| 2022 | FY22 Allocation | FY23 Allocation | FY24 Allocation | FY25 Allocation | Total Allocation |
|--|----------------------------|----------------------------|----------------------------|----------------------------|-----------------------------|
| Northern Parkway Corridor | | \$500,000 | \$5,470,000 | | \$5,970,000 |
| Council Chambers Technology | | \$70,000 | | | \$70,000 |
| Replenishment of Lost Revenue Total | | | | | \$6,040,000 |
| Utility, Rent and Mortgage Assistance | \$450,000 | \$235,000 | | | \$685,000 |
| Library Expansion for Workforce Development | \$375,000 | | | | \$375,000 |
| Home Repair Assistance and Weatherization Program | | \$165,000 | \$165,000 | | \$330,000 |
| Transit Dial-A-Ride | \$90,000 | \$90,000 | \$80,000 | | \$260,000 |
| Bus | \$75,000 | \$75,000 | | | \$150,000 |
| Senior Meals | \$35,000 | \$35,000 | \$35,000 | | \$105,000 |
| Phoenix Rescue Mission | \$30,000 | \$30,000 | \$30,000 | | \$90,000 |
| Responding to Negative Economic Impacts from the Pandemic Total | | | | | \$1,995,000 |
| Police Neighborhood Enforcement Team (NET) | \$611,000 | \$415,000 | \$415,000 | | \$1,441,000 |
| Police Officer Attrition | \$322,000 | \$428,000 | \$428,000 | | \$1,178,000 |
| Fire Truck | | \$800,000 | | | \$800,000 |
| Paramedic/Firefighter | \$108,000 | \$185,000 | \$185,000 | | \$478,000 |
| Firefly Gunshot Sensors | | \$252,000 | | | \$252,000 |
| Emergency Operations Center | \$60,000 | | | | \$60,000 |
| Responding to Public Health & Safety Needs Total | | | | | \$4,209,000 |
| GRAND TOTAL | | | | | \$12,244,000 |

EXECUTIVE SUMMARY OF MAJOR CHANGES AND CLARIFICATIONS:

The final rule provides broader flexibility and greater simplicity in the program. Among other clarifications and changes, the final rule provides for the following:

- *Public Health and Negative Economic Impacts:* In addition to programs and services, the final rule clarifies that recipients may use funds for capital expenditures that support an eligible COVID-19 public health or economic response. For example, recipients may build certain affordable housing, childcare facilities, schools, hospitals, and other projects consistent with the requirements in this final rule and Supplementary Information.

In addition, the final rule presumes that an expanded set of households and communities are “impacted” or “impacted” by the pandemic, thereby allowing recipients to provide responses to a broad set of households and entities without requiring additional analysis. Further, the final rule provides a broader set of enumerated eligible uses available for these communities as part of COVID-19 public health and economic response, including making affordable housing, childcare, and early learning services eligible in all impacted communities and making certain community development and neighborhood revitalization activities eligible for disproportionately impacted communities.

Further, the final rule allows for a broader set of uses to restore and support government employment, including hiring above a recipient's pre-pandemic baseline, providing funds to employees that experienced pay cuts or furloughs, avoiding layoffs, and providing retention incentives.

- *Premium Pay:* The final rule offers more streamlined options to provide premium pay, by broadening the share of essential workers who can receive premium pay without a written justification while maintaining a focus on lower-income and frontline essential workers.
- *Revenue Loss:* The final rule offers a standard allowance for revenue loss of up to \$10 million, not to exceed a recipient's SLFRF award amount, allowing recipients to select between a standard amount of revenue loss or complete a full revenue loss calculation. Recipients that select the standard allowance may use that amount for government services.
- *Water, Sewer, and Broadband Infrastructure:* The final rule significantly broadens eligible broadband infrastructure investments to address challenges with broadband access, affordability, and reliability, and adds additional eligible water and sewer infrastructure investments, including a broad range of lead remediation and stormwater management projects.

The final rule is consistent with the interim rule on overarching spending restrictions irrespective of category. In general, restrictions reflect the principle that grant funds must be used prospectively, rather than retrospectively. Among the specific restrictions, local governments may not use grant funds to address pension fund liabilities; to replenish financial reserves; for payments on bonds or other debt services; or payments required by settlement, judgment, or consent decree.